

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-09 IO-13 ISO-00 SP-02 USIA-15 AID-05

NSC-05 CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03

H-02 PA-02 PRS-01 CIAE-00 COME-00 FRB-01 INR-07

NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 /123 W

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P 271415Z APR 76

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 7206

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

USMISSION OECD PARIS

USDEL MTN GENEVA

UNCLAS ROME 6781

1. /SUMMARY/. ITALIAN PRESS REPORTS AS ONE OUTCOME OF EC FINANCE MINISTERS APRIL 26 MEETING IN LUXEMBOURG EC OFFER OF \$1.5 BILLION SHORT-TERM LOAN TO ITALY TO REPLENISH FOREIGN EXCHANGE RESERVES AND ALLOW GOI TO CONTINUE TO FLEXIBLY INTERVENE IN FOREX MARKET TO SUPPORT LIRA. /END SUMMARY/.

2. APRIL 27 ITALIAN GENERAL AND FINANCIAL PRESS REPORTS AGREEMENT REACHED AT EC FINANCE MINISTERS APRIL 26 MEETING IN LUXEMBOURG TO OFFER \$1.5 BILLION SHORT-TERM LOAN TO ITALY. PURPOSE OF SHORT-TERM LOAN IS TO REPLENISH GOI
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FOREIGN EXCHANGE RESERVES THUS PERMITTING CONTINUED FLEXIBLE

INTERVENTION IN FOREX MARKETS IN SUPPORT OF LIRA. ONLY
TERMS OF REPORTED LOAN WERE: \$1.5 BILLION (LIRE 1,350 BILLION)
90-DAY SHORT-TERM LOAN, RENEWABLE ONCE. EXPECTATION THAT
ALL OR PART MAY BE CONSOLIDATED INTO MEDIUM-TERM LOAN
WITH UNSPECIFIED TERMS EXPRESSED IN MOST ARTICLES. ONE
REPORT STATED THAT WITH THIS LOAN ITALY WILL HAVE EXHAUSTED
ITS TOTAL EC CREDIT AVAILABILITIES AND LEAVE ONLY BILATERAL
US AND GERMAN LOANS AS FUTURE FORMS OF ASSISTANCE. TOTAL
ITALIAN LOANS FROM EC FOR THIS PURPOSE INCLUDING THIS NEW
LOAN CITED IN ARTICLES AS \$4.4 BILLION. /EMBASSY COMMENT/.
\$4.4 BILLION FIGURE PRESUMABLY COMPOSED OF: \$1.0 BILLION
EC JOINT BORROWING, 1,885 EC MEDIUM-TERM CREDIT, AND
THIS NEW LOAN \$1.5 BILLION. THESE THREE EC LOANS TOTAL
\$4,385 BILLION.

3. TREASURY MINISTER COLOMBO PRESENTATION TO COLLEAGUES REPORTED
TO BE "DRAMATIC" SURVEY OF CURRENT ITALIAN ECONOMIC AND
FINANCIAL POSITION AND PROSPECTS. ARTICLES NOTE APPARENT
DIFFERENCES BETWEEN FRENCH TREASURY MINISTER FOURCADE STATEMENT
THAT ITALY HAS ALREADY ASKED,
ALTHOUGH NOT FORMALLY BUT CLEARLY, FOR THIS NEW LOAN AND
COLOMBO REMARKS THAT ITALY'S INTEREST IN EC OFFER AND
EVENTUAL ITALIAN DECISION ON IT WILL DEPEND ON FOREX
RESERVE REQUIREMENTS NEEDED TO PURSUE FLEXIBLE FOREX
INTERVENTION.

4. SPETEL FOLLOWS ON PRESS REPORTS ON CONTEMPORANEOUS
ACTIONS BY EC CENTRAL BANK GOVERNORS RESTRICTING THE
EXCHANGE OF LARGE-DENOMINATION ITALIAN BANKNOTES.VOLPE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, MINISTERIAL MEETINGS, MEETING REPORTS, LOAN AGREEMENTS, LOAN DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 27 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ROME06781
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760159-0687
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760418/aaaaaorb.tel
Line Count: 90
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 01 SEP 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 SEP 2004 by cookms>; APPROVED <09 DEC 2004 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: EFIN, IT, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006